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UNITED STORES CORPORATION

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CORPORATION FILE

REPORT TO STOCKHOLDERS
YEAR ENDED DECEMBER 31, 1949

FOR THE INFORMATION OF STOCKHOLDERS THE ANNUAL REPORTS
OF McCrory Stores Corporation and McLellan Stores
Company are bound in herewith.

United Stores Corporation

Report to Stockholders
Year Ended December 31, 1949



OFFICERS

LEONARD SPANGENBERG.....*Chairman of the Board and President*
EDWARD H. GREEN.....*Vice-President*
GEORGE WATTLEY.....*Secretary and Treasurer*
E. B. IVRY.....*Asst. Sec. & Asst. Treas.*

BOARD OF DIRECTORS

Term expiring in 1950

✓ EDWARD H. GREEN THOMAS H. MCINNERNEY
N. BAXTER JACKSON ROGER BABSON WEBBER

Term expiring in 1951

ROGER W. BABSON EUGENE W. STETSON
✓ LEONARD SPANGENBERG GEORGE WEISS

Term expiring in 1952

E. O. HANDY ROBERT W. JAMESON
WILLIAM L. LESS

GENERAL COUNSEL

SULLIVAN & CROMWELL.....New York, N. Y.

AUDITORS

PRICE, WATERHOUSE & Co.....New York, N. Y.

UNITED STORES CORPORATION

31 NASSAU STREET

NEW YORK 5, N. Y.

March 29, 1950

To the Stockholders of UNITED STORES CORPORATION:

We submit herewith the following financial statements of United Stores Corporation for the year ended December 31, 1949, with certification of its public accountants, Messrs. Price, Waterhouse & Co.

Comparative Balance Sheet, 1948 and 1949.

Comparative Statement of Income and Expense, 1948 and 1949.

Comparative Statement of Surplus, 1948 and 1949.

The major investments of your Corporation are represented by the Common Stocks of McCrory Stores Corporation and McLellan Stores Company. Aside from minor interest received from United States Treasury Tax Notes, its sole income during 1949 was received from the dividends paid on these stocks. Accordingly, we are again binding their reports in with your Corporation's report, thus enabling you as a stockholder to quickly obtain a better understanding of our interests. They cover for McCrory the fiscal year ended December 31, 1949, and for McLellan the fiscal year ended January 31, 1950.

As of December 31, 1949, your Corporation's holdings aggregated 48.18% of the Common Stock of McLellan Stores Company (the only class of stock outstanding) and 34.74% of the Common Stock of McCrory Stores Corporation (which Company also has outstanding \$6,000,000 par value of 3½% Cumulative Convertible Preferred Stock). We are again able to state that no bonds or bank loans are outstanding in the case of either Company, nor have there been at any time during the periods covered by their reports. In fact the combined working capital of these two companies totaled approximately \$24,000,000 at year end.

The 1949 results of United Stores Corporation are best portrayed by studying the annexed reports. McCrory Stores Corporation earned \$4.05 per share on its Common Stock, and paid dividends of \$2.50 per share which, translated into terms of your Corporation's stockholdings, means that its earnings amounted to \$1,604,358.90 on your Corporation's holdings, out of which your Corporation received

\$990,345.00 in dividends. Similarly, in the case of McLellan Stores Company, the earnings were \$2.98 per share on its Common Stock, of which it paid \$2.25 per share, so that the amount of the net earnings applicable to your Corporation's holdings was \$1,222,098.00 as against dividends received of \$922,725.00. In total, the earnings of these two Companies applicable to your Corporation's stock interests therein were \$2,826,456.90 as compared with the total dividends received by it of \$1,913,070.00.

The net earnings per share on your Corporation's \$4.20 Non-Cumulative Second Preferred Stock for the year ended December 31, 1949 amounted to \$1.11 compared with \$1.13 in the previous year. Based on the full per share earnings of both McCrory Stores Corporation and McLellan Stores Company applicable to United Stores Corporation, the earnings per share for 1949 on the \$4.20 Non-Cumulative Second Preferred Stock would have aggregated \$1.94.

The net earnings of your Corporation for 1949 over and above the requirements for the regular dividends on the 6% Preferred Stock were available for payment as dividends on the \$4.20 Non-Cumulative Second Preferred Stock and accordingly two dividends were declared and paid on that stock during the year, one of 50c per share paid on June 30, 1949 and one of 60c per share paid on December 29, 1949. These two dividends aggregated \$1.10 per share, or \$1,134,832.60, and were made up of \$8,042.10 representing the December 31, 1948 accrued unpaid dividends on the Second Preferred Stock, and \$1,126,790.50 out of 1949 total net earnings available for the purpose of \$1,141,603.69. This leaves a balance of \$14,813.19 constituting accrued unpaid dividends on the Second Preferred Stock as of December 31, 1949.

In accordance with the approval given by stockholders at the 1949 Annual Meeting of your Corporation the Company has been actively engaged in searching for a source of Operating Income to supplement Dividend Income. Among other businesses we are interested in acquiring a variety chain at a price commensurable with present day values and with real growth potentials.

By order of the Board of Directors.

LEONARD SPANGENBERG,

President.

396,138
32,875
13,023,103

UNITED STORES CORPORATION

BALANCE SHEET

ASSETS

	December 31,	
	1949	1948
CASH IN BANK AND ON HAND	\$ 118,561.76	\$ 216,393.86
U. S. A. SAVINGS NOTES, Series D, and accrued interest thereon	100,232.20	
INVESTMENTS AT COST (Note 1):		
McCrorry Stores Corporation:		
396,138 Shares Common Stock, par \$1 (34.74% of total outstanding)	5,009,035.37	5,009,035.37
McLellan Stores Company:		
410,100 Shares Common Stock, par \$1 (48.18% of total outstanding)	4,439,200.24	4,439,200.24
OFFICE FURNITURE AND FIXTURES, at nominal amount	1.00	1.00
	<u>\$9,667,030.57</u>	<u>\$9,664,630.47</u>

CURRENT LIABILITIES:

LIABILITIES

Accounts Payable	\$ 853.69	\$ 3,940.50
Unclaimed Dividends	2,460.10	2,460.10
Reserve for Taxes	110,136.56	111,042.59
	<u>\$ 113,450.35</u>	<u>\$ 117,443.19</u>

CAPITAL STOCK AND CAPITAL SURPLUS:

Capital Stock:

\$6 Cumulative Convertible Preferred Stock, without par value. Redemption Price and Preference on Dissolution, \$115 per Share plus Accrued Dividends (Note 2):

Authorized—101,800 Shares

Outstanding—95,695 Shares Stated at \$25 per Share

\$2,392,375.00 \$2,392,375.00

\$4.20 Non-Cumulative Second Preferred Stock of \$5 Par Value, Convertible, Redemption Price and Preference Over Common On Dissolution, \$75 per Share plus Accrued Dividends (Note 2.)

Authorized—1,031,856 Shares

Outstanding—Less 92 Shares in Treasury—1,031,743 Shares (1948 — 1,031,782 Shares)

5,158,715.00 5,158,910.00

(Dividends Accrued and Unpaid at December 31, 1949 Amount to \$14,813.19)

Common Stock of 50c Par Value:

Authorized—1,640,000 Shares Including 1,127,530 Shares Reserved for Conversion of \$6 Preferred and \$4.20 Second Preferred Stocks

Outstanding—Less 419 Shares in Treasury—503,977 Shares (1948—503,984½ Shares)

251,988.50 251,992.25

Capital surplus, per statement attached

1,419,499.32 1,419,678.72

\$9,222,577.82 \$9,222,955.97

EARNED SURPLUS SINCE JANUARY 1, 1937 (Note 1) . . .

\$ 331,002.40 \$ 324,231.31

\$9,667,030.57 \$9,664,630.47

(See NOTES on following page.)

UNITED STORES CORPORATION

STATEMENT OF INCOME AND EXPENSES FOR THE YEARS ENDED DECEMBER 31, 1949 and 1948

INCOME:	1949	1948
Dividends Received	\$1,913,070.00	\$1,929,386.40
Interest Earned	201.23	
	<u>\$1,913,271.23</u>	<u>\$1,929,386.40</u>
EXPENSES:		
Stock Transfer and Other Expense	\$ 21,548.45	\$ 20,440.83
Franchise Taxes	6,080.00	5,577.00
Administrative, General and Legal Expenses	66,069.09	55,970.90
	<u>\$ 93,697.54</u>	<u>\$ 81,988.73</u>
	\$1,819,573.69	\$1,847,397.67
PROVISION FOR FEDERAL INCOME TAX	<u>103,800.00</u>	<u>105,000.00</u>
NET INCOME FOR YEAR, CARRIED TO STATEMENT OF SURPLUS	<u>\$1,715,773.69</u>	<u>\$1,742,397.67</u>

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 1949

NOTE 1:

	December 31,	
	1949	1948
Amounts Based on Quoted Market Prices:		
McCrary Stores Corporation, Common Stock	\$13,864,830.00	\$12,577,381.50
McLellan Stores Company, Common Stock	10,252,500.00	8,458,312.50
	<u>\$24,117,330.00</u>	<u>\$21,035,694.00</u>

NOTE 2:

In the opinion of counsel neither the provisions of the Corporation's Certificate of Incorporation nor the statutes of Delaware create restrictions upon surplus growing out of the fact that upon involuntary liquidation the preferences of the \$6 preferred and \$4.20 second preferred stocks exceed their respective stated or par values.

The aggregate amount to which the outstanding \$6 preferred stock is entitled in liquidation is \$11,004,925 and the aggregate amount to which the outstanding \$4.20 second preferred stock is entitled in liquidation is \$77,395,538.19. The aggregate amount to which the outstanding \$6 preferred stock and \$4.20 second preferred stock are entitled in liquidation exceeds the aggregate amount of capital represented by such stocks by \$80,849,373.19 (which excess is greater than the sum of the aggregate amount of capital represented by the common stock and the amount of the surplus of the Corporation).

UNITED STORES CORPORATION

STATEMENT OF SURPLUS

FOR THE YEARS ENDED DECEMBER 31, 1949 and 1948

	1949	1948
CAPITAL SURPLUS:		
Balance at Beginning of Year	\$1,419,678.72	\$1,419,932.21
Excess of Cost Over Par Value of Scrip Purchased	(179.40)	(253.49)
CAPITAL SURPLUS AT END OF YEAR, PER BALANCE SHEET	<u><u>\$1,419,499.32</u></u>	<u><u>\$1,419,678.72</u></u>
EARNED SURPLUS SINCE JANUARY 1, 1937:		
Balance at Beginning of Year	\$ 324,231.31	\$ 394,080.04
Net Income for the Year, per Statement Attached	1,715,773.69	1,742,397.67
	<u><u>\$2,040,005.00</u></u>	<u><u>\$2,136,477.71</u></u>
<i>Deduct — Dividends in Cash on:</i>		
\$6 Cumulative Convertible Preferred Stock (\$6 per Share)	\$ 574,170.00	\$ 574,170.00
\$4.20 Non-Cumulative Second Preferred Stock (1949—\$1.10 per Share; 1948—\$1.20 Per Share)	1,134,832.60	1,238,076.40
	<u><u>\$1,709,002.60</u></u>	<u><u>\$1,812,246.40</u></u>
EARNED SURPLUS AT END OF YEAR, PER BALANCE SHEET	<u><u>\$ 331,002.40</u></u>	<u><u>\$ 324,231.31</u></u>

To the Board of Directors and the Stockholders of

UNITED STORES CORPORATION

In our opinion, the accompanying balance sheet of United Stores Corporation and the related statements of income and expense and surplus present fairly the position of United Stores Corporation at December 31, 1949 and the results of its operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year. Our examination of these statements was made in accordance with generally accepted auditing standards and included all procedures which we considered necessary in the circumstances.

PRICE, WATERHOUSE & Co.

New York, N. Y.
March 6, 1950



McCRORY STORES CORPORATION

Annual Report

1949



Directors

RANDOLPH CATLIN

R. F. COPPEDGE

A. J. FINK

FRANK J. HUMPHREY

N. BAXTER JACKSON

ROBERT W. JAMESON

HARRY O. LATHAM

WILLIAM L. LESS

F. W. PAUL

LEONARD SPANGENBERG

EUGENE W. STETSON

Executive Committee

ROBERT W. JAMESON, *Chairman*

R. F. COPPEDGE

A. J. FINK

FRANK J. HUMPHREY

EUGENE W. STETSON

LEONARD SPANGENBERG

Officers

R. F. COPPEDGE, *Chairman of the Board of Directors*

F. W. PAUL *President*

G. C. CHAMBERS *Vice President*

R. A. VROOM *Vice President*

M. O. HILL *Vice President*

T. C. LAWRENCE *Financial Vice Pres. & Secretary-Treasurer*

H. H. BOSCH *Comptroller*

General Counsel *Sullivan & Cromwell, New York, N. Y.*

Auditors *S. D. Leidesdorf & Co., New York, N. Y.*

Transfer Agent *Guaranty Trust Company of New York*

Registrar

Common Stock *Bankers Trust Company, New York, N. Y.*

Preferred Stock *Chemical Bank & Trust Company, New York, N. Y.*

General Office *1107 Broadway, New York, N. Y.*

**DIRECTORS
AND
OFFICERS**

February 15, 1950

TO THE STOCKHOLDERS:

The Annual Report of the McCrory Stores Corporation for the Year 1949 is presented herewith together with the report of S. D. Leidesdorf & Co., Certified Public Accountants.

Net Sales of \$95,767, 297. for the Year 1949 were 1.9% less than the sales reported for the Year 1948. The decline in the general level of prices and the reduction in consumer demand in certain areas where local conditions interrupted the steady flow of income to the buying public affected the sales volume.

Net Income for the Year 1949 amounted to \$4,831,191. After Preferred Dividends, earnings on Common Stock amounted to \$4.05 per share compared with \$4.63 per share in 1948.

Dividends paid to stockholders amounted to \$3,060,602. Of this amount \$2,850,602. equivalent to \$2.50 per share was paid to Common stockholders.

Capital expenditures during 1949 amounted to approximately \$4,300,000. compared with \$3,900,000. in 1948 and \$2,300,000. in 1947, an aggregate of \$10,500,000. over the past three years.

Two new stores were completed during 1949; the store in Waco, Texas which replaces a former location was opened in July, 1949; the store at Lafayette, La. is a new location and was opened December 3, 1949. The lease of one store which expired at the year end was not renewed.

Large-scale expansion and modernization was undertaken and completed at nine stores and minor alterations were made at six other stores.

While the flow of business was interrupted at these stores during alterations, the added sales volume and efficient operation obtained upon their completion helped materially in the final results for the Year.

Planned capital expenditures during 1950 are estimated at approximately \$2,500,000., the major portion of which will be allocated to the expansion and modernization of present stores.

The past ten years have seen a steady growth in the number of holders of the Company's Common Stock. At the last record date, December 16, 1949 there were 5,352 common stockholders as compared with 2,328 in 1940, the national distribution of common stock ownership was as follows:

State	No. of Holders	State	No. of Holders	State	No. of Holders	State	No. of Holders
Alabama	14	Kansas	21	New Jersey	335	Utah	3
Arizona	6	Kentucky	68	New Mexico	1	Vermont	7
Arkansas	19	Louisiana	43	New York	1110	Virginia	96
California	157	Maine	24	North Carolina	41	Washington	9
Colorado	16	Maryland	746	North Dakota	1	West Virginia	55
Connecticut	83	Massachusetts	427	Ohio	193	Wisconsin	43
Delaware	5	Michigan	72	Oklahoma	12	Wyoming	2
Wash., D. C.	69	Minnesota	30	Oregon	14		
Florida	200	Mississippi	25	Pennsylvania	810	Canada	9
Georgia	57	Missouri	72	Rhode Island	19	Canal Zone	1
Idaho	1	Montana	4	South Carolina	20	Costa Rica	1
Illinois	189	Nebraska	11	South Dakota	4	Hawaii	1
Indiana	44	Nevada	3	Tennessee	35		
Iowa	26	New Hampshire	14	Texas	84		

On behalf of the Board of Directors I wish to thank the Officers and Employees throughout the Company for their efforts and splendid co-operation which contributed greatly to the successful operation of the Company in 1949.

BY ORDER OF THE BOARD OF DIRECTORS

R. F. Coppedge

R. F. COPPEDGE, *Chairman*

REPORT
TO
STOCKHOLDERS

Ten Year Comparison

SALES AND PROFITS

	Number of Stores	Net Sales	Income before Federal Taxes	Income after Federal Income Taxes	Per Share of Common Stock		
					Income Taxes	Net Income	Dividends
1949	201	\$95,767,297	\$ 7,586,191	\$4,831,191	2.42	4.05	2.50
1948	202	97,588,160	8,688,740	5,488,740	2.81	4.63	2.80
1947	199	91,225,698	10,052,812	6,302,812	3.29	5.34	2.65
1946	199	84,509,508	10,537,776	6,537,776	3.51	5.55	2.00
1945	199	71,282,195	8,282,254	2,372,254	5.70	2.00	1.00
1944	203	71,324,436	8,182,804	2,182,804	6.06	1.90	1.00
1943	201	67,351,104	6,363,542	2,288,542	4.11	2.01	1.00
1942	202	62,613,293	6,184,753	2,184,753	4.04	1.90	1.00
1941	202	53,013,016	4,399,094	2,522,594	1.90	2.24	1.25
1940	199	46,207,993	2,911,199	2,332,511	.59	2.05	1.00

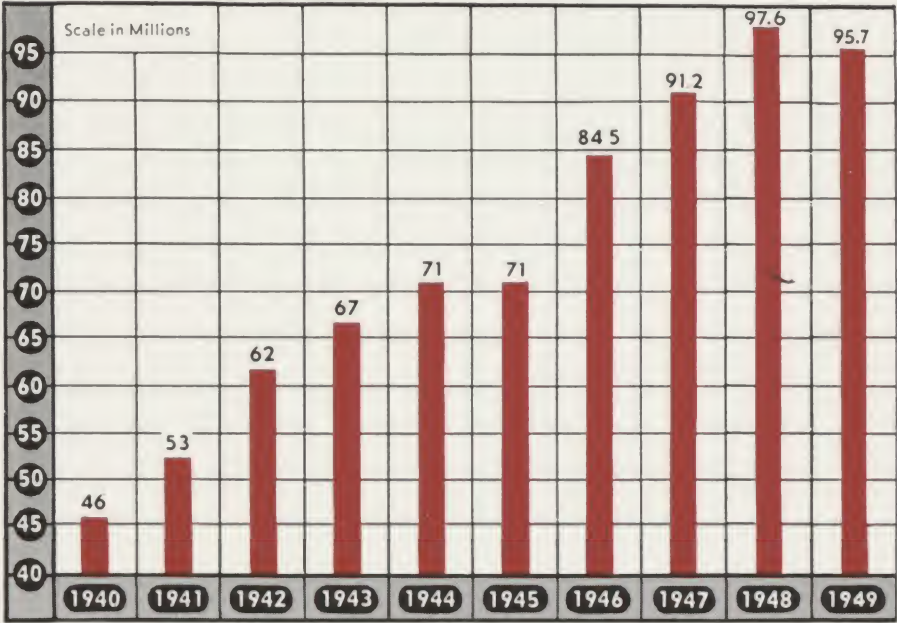
BALANCE SHEET INFORMATION

	CURRENT Assets	CURRENT Liabilities	Net Working Capital	Net Fixed Assets	Per Share of Common Stock	
					Working Capital	Net Worth
1949	\$22,331,504	\$6,754,616	\$15,576,888	\$18,315,879	13.66	25.26
1948	23,687,945	6,782,548	16,905,397	14,983,021	14.83	23.71
1947	27,100,690	9,098,099	18,002,591	11,809,483	15.79	21.88
1946	24,004,068	6,810,585	17,193,483	10,744,300	15.08	20.16
1945	19,516,530	7,516,974	11,999,556	10,285,770	11.57	16.48
1944	19,403,172	8,012,208	11,390,964	10,849,283	11.50	15.06
1943	18,543,282	7,858,453	10,684,829	11,293,066	10.79	14.15
1942	18,475,795	8,713,568	9,762,227	11,915,988	9.86	13.15
1941	14,521,890	5,919,016	8,602,874	12,101,263	8.69	12.05
1940	11,115,409	3,361,337	7,754,072	11,980,207	7.83	11.05

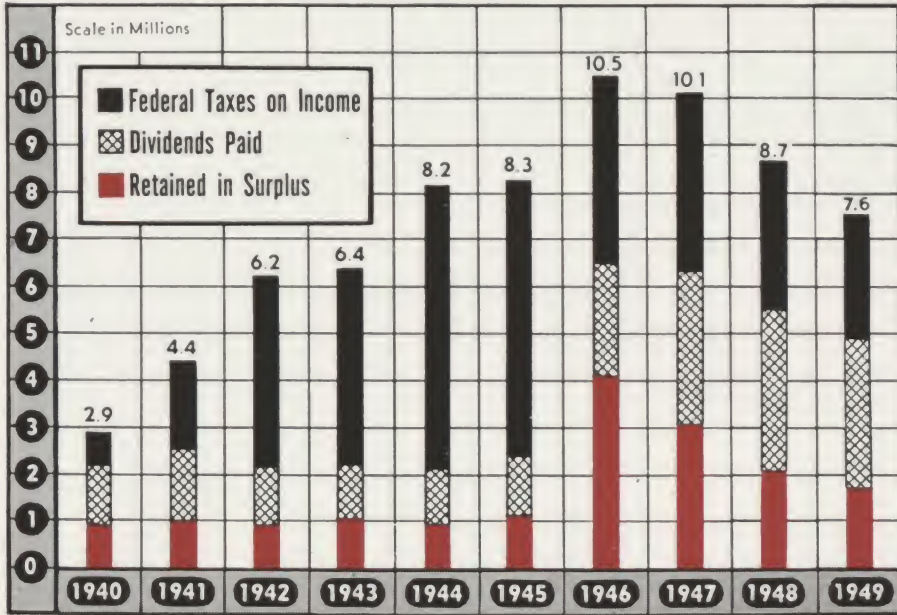
**McCRORY
STORES
CORPORATION**

Graphic Picture of Sales & Profits

ANNUAL SALES



DISPOSITION OF INCOME



**SALES
AND
PROFITS**

**TO THE BOARD OF DIRECTORS
McCRORY STORES CORPORATION
NEW YORK, N. Y.**

We have examined the balance sheet of McCrory Stores Corporation (Delaware Corporation) as at December 31, 1949 and the related statement of income and earned surplus for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

Our examination of the merchandise inventories included a general review of the inventory records, tests to determine the mathematical accuracy of the inventory schedules and physical tests of the quantities included in the warehouse inventories. We reviewed the method of store inventory taking as outlined in the inventory instructions issued by the management, and had our representatives present at certain stores, selected by us, for the purpose of satisfying ourselves that the inventory instructions were carried out effectively. At such stores, tests were made of quantities and retail prices which were checked to the merchandising records used as a basis for the retail method of inventory valuation.

In our opinion, the accompanying balance sheet and statement of income and earned surplus, together with the notes to financial statements, present fairly the financial position of McCrory Stores Corporation (Delaware Corporation) at December 31, 1949, and the results of its operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

S. D. LEIDESDORF & CO.

Certified Public Accountants

New York, N. Y. February 15, 1950.

**ACCOUNTANTS'
REPORT**

Statement of Income and Earned Surplus

For the Year Ended December 31, 1949

SALES (merchandise, restaurant and concession) \$95,767,297.57

Cost of goods sold and operating expenses including
occupancy and general and administrative expenses 87,385,412.92

8,381,884.65

Miscellaneous income, less other deductions 154,828.60

Net income before depreciation, amortization and Federal
income taxes 8,536,713.25

Depreciation and amortization 950,522.05

Net income before Federal income taxes 7,586,191.20

Provision for Federal income taxes 2,755,000.00

NET INCOME FOR THE YEAR 4,831,191.20

EARNED SURPLUS (since January 1, 1936) :

Balance as at December 31, 1948 18,177,418.47

23,008,609.67

Dividends paid on:

Common Stock—\$2.50 per share \$ 2,850,602.50

Preferred Stock 210,000.00 3,060,602.50

EARNED SURPLUS—Balance as at Dec. 31, 1949—Note D \$19,948,007.17

The Notes to Financial Statements are an integral part of the above statement and should be read in conjunction therewith.

The logo for McCrory Stores Corporation is enclosed in a decorative, hand-drawn style frame. The text "McCRORY STORES CORPORATION" is written in a bold, sans-serif font, with "McCRORY" on the top line, "STORES" in the middle, and "CORPORATION" on the bottom line. A small number "9" is located at the bottom center of the frame.

McCRORY
STORES
CORPORATION

McCrory S

(Delaware)

BALANCE SHEET

ASSETS

CURRENT ASSETS:

Cash on hand, in banks and in transit	\$ 6,876,316.19
U. S. Government obligations—at par	4,000,000.00
Merchandise inventories at stores and warehouses—Note A	\$10,211,786.23
Merchandise in transit—at cost	1,195,328.60
Miscellaneous accounts receivable, less reserve	48,073.50
Total Current Assets	<u>22,331,504.52</u>

FIXED ASSETS:

Real estate, at adjusted value Dec. 31, 1936 and subsequent additions at cost	6,322,795.50
Less: Reserve for depreciation	<u>1,512,450.12</u>
Furniture and fixtures, equipment and utensils, at cost	8,985,663.77
Less: Reserve for depreciation	<u>3,471,411.78</u>
Improvements to leased property, at ad- justed value Jan. 1, 1936 and sub- sequent additions at cost	11,234,631.54
Less: Reserve for amortization	<u>3,243,349.74</u>
Total Fixed Assets	<u>18,315,879.17</u>

DEFERRED CHARGES:

Prepaid rents, insurance, taxes, store supplies, etc.	908,522.36
	<u>\$41,555,906.05</u>

NOTES TO FIN

NOTE A—

Merchandise at Stores:

Inventories at the lower of cost or market based upon the retail method of inventory valuation	\$ 9,605,445.77
Inventories at cost—Restaurants	84,852.47
Merchandise at Warehouses—at cost	521,487.99
	<u>\$10,211,786.23</u>

Cost of goods sold for the current year has been determined on the basis of inventories established as outlined above.

NOTE B—

The 3½% Cumulative Convertible Preferred Stock is redeemable at the option of the Corporation in whole or in part, at \$105.00 per share to January 1, 1951, at \$104.50 per share to January 1, 1952, and thereafter the redemption price will be \$104.00 per share, plus in each case accrued dividends to date of redemption, and in the event of voluntary liquidation, is entitled to receive an amount equal to the then redemption price, and in the event of involuntary liquidation, is entitled to \$100.00 per share and accrued dividends.

**McCRORY
STORES
CORPORATION**

Corporation

poration)

December 31, 1949

LIABILITIES

CURRENT LIABILITIES:

Accounts payable—including merchandise in transit	\$ 2,524,178.54
Accrued expenses, taxes, rents, salaries, officers' and employees' bonus, etc.	3,480,002.68
Reserve for Federal taxes on income	\$2,870,434.91
Less: U. S. Treasury Notes	<u>2,120,000.00</u> 750,434.91
Total Current Liabilities	<u><u>6,754,616.13</u></u>

CAPITAL STOCK AND SURPLUS:

Preferred Stock —

Par Value \$100.00 Per Share:

Authorized 80,000 shares

3½% Series—Cumulative Convertible

Issued and outstanding 60,000 shares

—Note B 6,000,000.00

Common Stock—Par Value \$1.00 Per Share—Note C

Authorized 1,400,000 shares

Issued and outstanding 1,140,241 shares 1,140,241.00

Capital Surplus

(no change during year)—Note D 7,713,041.75

Earned Surplus (since January 1, 1936)

—Note D 19,948,007.17 34,801,289.92

\$41,555,906.05

AL STATEMENTS

NOTE C—

Of the total of 1,400,000 shares of Common Stock authorized, 150,000 shares are reserved for issuance upon conversion of the 3½% Cumulative Convertible Preferred Stock.

NOTE D—

Pursuant to certain restrictions in connection with the authorization of 3½% Cumulative Convertible Preferred Stock, Capital and Earned Surplus as at December 31, 1949 in the approximate amount of \$15,700,000 is not available for dividends on the Common Stock.

GENERAL—

At December 31, 1949 the minimum annual rentals upon property leased to the Corporation under 252 leases expiring after December 31, 1952, amount to approximately \$2,900,000.00, plus real estate taxes, insurance, etc.

The accompanying financial statements are subject to the final determination of Federal and State taxes.

1949
BALANCE
SHEET



REMODELED BROOKLYN, N. Y. STORE COMPLETED SEPTEMBER 1949

**BROOKLYN
N. Y.
STORE**



ENLARGED LANCASTER, PA. STORE COMPLETED DECEMBER 1949



**LANCASTER
PA.
STORE**



LAFAYETTE
LA.
STORE



NEW WACO, TEXAS STORE OPENED JULY 1949

WACO
TEXAS
STORE

201 McCrory Stores...

Alabama (2)

Eufaula
Mobile

Arkansas (3)

†Eldorado
Fort Smith
Jonesboro

Connecticut (1)

Danbury

Delaware (1)

Dover

Dist. of Col. (1)

Washington

Florida (37)

Arcadia
Bartow
Bradenton
Clearwater
Daytona Beach
128 S. Beach St.
814 Main St.
Deland
Fort Lauderdale
Fort Myers
Fort Pierce
Gainesville
Homestead
Jacksonville
Kissimmee
Lake City
Lakeland
Leesburg
Live Oak
Melbourne
Miami
Miami Beach
New Smyrna
Ocala
Orlando
Palatka
Panama City

Fla. (cont.)

Plant City
Punta Gorda
Quincy
Sanford
Sarasota
St. Augustine
St. Petersburg
Tallahassee
Wauchula
West Palm Beach
Winter Haven

Georgia (7)

Atlanta
Bainbridge
Columbus
Cordele
Savannah
Tifton
Valdosta

Indiana (3)

Anderson
Indianapolis
Terre Haute

Kentucky (1)

Louisville

Louisiana (3)

Lafayette
New Orleans
1626 Dryades St.
1005 Canal St.

Maryland (8)

Baltimore
Cambridge
Crisfield
Cumberland
Easton
Frederick
Hagerstown
Salisbury

Massachusetts (2)

New Bedford
1115 Acushnet Ave.
1009 S. Water St.

Mississippi (2)

Jackson
McComb

Missouri (1)

St. Louis

New Jersey (10)

Asbury Park
Atlantic City
Burlington
Camden
Jersey City
Newark
Orange
Passaic
Perth Amboy
Rahway

New York (8)

†Bay Shore, L. I.
Brooklyn
Johnson City
Long Island City
New York City
Niagara Falls
Rego Park
Syracuse

North Carolina (4)

Dunn
Fayetteville
Roanoke Rapids
Tarboro

Ohio (9)

Canton
Cleveland
Dayton
East Liverpool
Hamilton
Kent

**McCRORY
STORES
CORPORATION**

... IN TWENTY-THREE STATES*

Ohio (cont.)

Springfield
Steubenville
Youngstown

Pennsylvania (57)

Allentown
Altoona
Barnesboro
Bethlehem
Bradford
Bristol
Brookville
Canonsburg
Carlisle
Carnegie
Chambersburg
Charleroi
Chester
Clearfield
Connellsville
Cresson
Donora
DuBois
Ebensburg
Emporium
Franklin
Greensburg
Hanover
Homestead
Huntingdon
Indiana
Johnstown
Kane
Lancaster
Lebanon
Lewistown
Monongahela
Mt. Pleasant
Patton

Pa. (cont.)

Philadelphia
1205 Market St.
919 Market St.
38 S. 52nd St.

Philipsburg

Pittsburgh
105 E. Ohio St.
314 Fifth Avenue

Portage

Pottstown

Punxsutawney

Reading

Reynoldsville

Ridgway

Scottdale

Scranton

Somerset

South Fork

Tyrone

Vandergrift

Waynesboro

Waynesburg

Wilkes-Barre

Windber

York

South Carolina (8)

Aiken

Chester

Columbia

Gaffney

Georgetown

Greenwood

Newberry

Rock Hill

Tennessee (4)

Bristol

†Kingsport

Tenn. (cont.)

Morristown
Oak Ridge

Texas (14)

Big Spring
Corpus Christi
Denton
Fort Worth
Galveston
Hillsboro
McAllen
Nacogdoches
Palestine
San Antonio
Taylor
Terrell
Waco
Wichita Falls

Virginia (7)

Cape Charles
Charlottesville
Front Royal
Harrisonburg
Pulaski
Staunton
Winchester

West Virginia (11)

Charleston
Clarksburg
Fairmont
Grafton
Huntington
Mannington
Martinsburg
Morgantown
New Martinsville
Parkersburg
Wheeling

*And the District of Columbia

†Stores contemplated or under Construction.

Stockrooms at New York, N. Y. and Huntingdon, Pa.



**McCRORY
STORES
CORPORATION**

MCLELLAN

S T O R E S C O M P A N Y

annual
report

1949

MCLELLAN
STORES COMPANY

**annual
report**

1949

MCLELLAN STORES COMPANY

DIRECTORS

W. L. NOLAN, <i>Chairman</i>	
RANDOLPH CATLIN	T. H. McINNERNEY
STUART HEDDEN	L. SPANGENBERG
R. W. JAMESON	E. W. STETSON
EARLE G. MAY	GEORGE WEISS

EXECUTIVE COMMITTEE

R. W. JAMESON, <i>Chairman</i>	
STUART HEDDEN	L. SPANGENBERG
T. H. McINNERNEY	E. W. STETSON

OFFICERS

W. L. NOLAN	<i>Chairman of the Board</i>
EARLE G. MAY	<i>President</i>
J. B. GEORGE	<i>Vice President</i>
H. Y. McLEISH	<i>Treasurer</i>
A. C. MELERVEY	<i>Secretary</i>
J. P. HEUER	<i>Asst. Treasurer and Asst. Secretary</i>

<i>General Counsel</i> .	SULLIVAN & CROMWELL . .	New York, N. Y.
<i>Auditors</i> . . .	S. D. LEIDESDORF & Co. . .	New York, N. Y.
<i>Transfer Agent</i> .	GUARANTY TRUST COMPANY .	New York, N. Y.
<i>Registrar</i> . . .	NEW YORK TRUST COMPANY .	New York, N. Y.
<i>General Office</i> .	55 FIFTH AVENUE	New York, N. Y.

ANNUAL MEETING

ANNUAL MEETING: Third Wednesday of May (May 17, 1950) at 10:15 o'clock A.M., Eastern Daylight Time, at the office of the Company located at 100 West Tenth Street, Wilmington, Delaware. Proxies for such meeting will be requested by the management, and a proxy statement will be sent to the shareholders, on or about April 19, 1950.

To the Shareholders of MCLELLAN STORES COMPANY

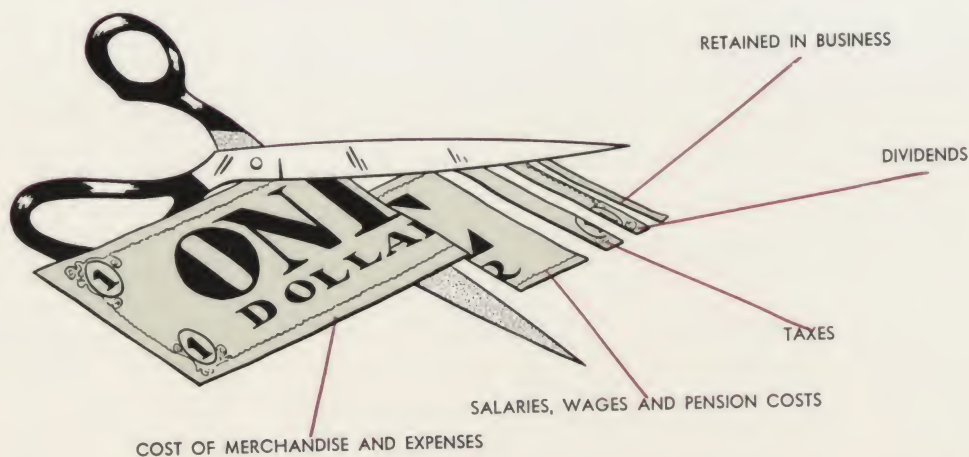
THERE is submitted herewith the Company's Annual Report for the year ended January 31, 1950, certified to by S. D. Leidesdorf & Co., independent public accountants, appointed by the Board of Directors.

SALES . . . For the year under review sales amounted to \$54,486,167, a decrease over the previous year of \$1,040,618 or 1.8%. The decrease in dollar volume is due to reductions in unit selling prices; units sold outnumbered those of the previous year.

EEARNINGS . . . Net earnings for the year ended January 31, 1950 amounted to \$2,534,988 after provision for depreciation, amortization and Federal Taxes on income, equal to \$2.98 per share on 851,165 shares of Common Stock presently outstanding. Such earnings compare with \$3,063,784 reported for the previous year, equal to \$3.60 per share on 851,145 shares of Common Stock outstanding at that time. The decline in earnings is due to lower dollar volume and lower profit margins.

Cash dividends paid during the past fiscal year on the outstanding Common Stock amounted to \$2.00 per share, the same as paid in the previous year, and are equal to 67.2% of the year's earnings. Regular quarterly dividends totaled \$1.50 per share and two extra dividends totaled \$0.50 per share.

DISTRIBUTION OF THE SALES DOLLAR



FINANCIAL CONDITION . . . Working capital at January 31, 1950 amounted to \$8,893,773, a decrease over the previous year of \$792,007. This decrease is due in great measure to the plant program of enlarging and modernizing stores. During 1949, \$2,248,928 was spent for such work, and there is still considerable plant work to be done.

EXPANSION . . . During 1949, new stores were opened in the following cities:

Borger, Texas
Pampa, Texas

Lawton, Oklahoma
Huntington, Indiana

Twelve other stores were enlarged or modernized; three stores were closed, one permanently, two temporarily pending enlargement. In addition, there are four other stores either being built or enlarged, which includes a new store in Battle Creek, Michigan. It is expected that a number of other stores will be improved during 1950.

PERSONNEL . . . The success of this business depends largely on the day to day customer contacts in our stores. We are grateful for the splendid cooperation we enjoy with our store, warehouse and office personnel.

Sincerely yours,

ES May
President

By Order of the Board of Directors,

AJ Kolon
Chairman

March 9, 1950

THE STORY IN BRIEF

	1949	1948
Sales	\$54,486,167	\$55,526,785
Number of stores	230	227
Average sales per store . .	\$236,896	\$244,611
Net earnings	\$2,534,988	\$3,063,784
Earned per share*	\$2.98	\$3.60
Dividends per share* . . .	\$2.00	\$2.00
Working capital	\$8,893,773	\$9,685,780

*Common Stock Outstanding

A STORE IS REBORN



For years an old and accepted friend in the neighborhood, the original Chattanooga, Tenn., store accommodated as best it could, an ever-increasing number of patrons, and rubbed shoulders with another old crony, the Rialto Theatre . . .

Each year, spurred by the demands of our public, the progress of cities in which our stores are located, and business opportunities for larger volume, McLellan Stores Company remodels and/or enlarges a certain number of stores. In addition, as a result of constant, thorough investigation of new fields of revenue to tap, some new

FR O

But time changes, and cities grow, and old timers must grow with them or be lost. And so, within a protective cocoon of scaffolding, the two old buildings merged, and changed, and developed . . .



stores are added in suitable locations.

• A good example of our progress in remodeling and enlargement is our store in Chattanooga, Tenn. You can diet off pounds and wear the same clothes, but you can't diet off customers. You have to expand . . . and expand we did, taking over a neighboring building, absorbing the additional space, and reopening for Christmas business to an enthusiastic, friendly public!

THE OLD RISES THE NEW



Business simply outgrew this small, original salesfloor. To make it adequate in size, 25' were added to the width, making it 75' wide by 200' deep.



The beautifully appointed, modern, new air conditioned salesroom boasts 1600' of counter footage, and many new features: A 25-seat Snack Bar . . . new type, stainless steel Candy Bar . . . unique Kiddies' Dept.



Then, having matured, the long, clean-lined McLellan store emerges to reopen its doors, offering folks the best of the old — value, courtesy, and service — with the best of the new—comfort and convenience —within its walls.

MCLELLAN ST

BALANCE SHEET AS

ASSETS

CURRENT ASSETS:

Cash on hand, in banks and in transit.....	\$ 4,353,294.65
Merchandise inventories at stores, warehouses and in transit—Note A.....	9,244,548.82
Miscellaneous accounts receivable, less reserve...	269,653.27
TOTAL CURRENT ASSETS.....	13,867,496.74

OTHER ASSETS:

Insurance fund—cash reserve—see contra.....	200,000.00
---	------------

FIXED ASSETS:

Real estate as appraised at January 1, 1935, plus subsequent additions at cost.....	\$ 67,750.00	
Less: Reserve for depreciation	24,505.00	\$ 43,245.00
Furniture and fixtures at cost...	4,375,240.99	
Less: Reserve for depreciation	1,982,170.55	2,393,070.44
Leasehold improvements as appraised at May 15, 1935, plus subsequent additions at cost	6,296,709.51	
Less: Reserve for amortization	1,881,738.83	4,414,970.68
Leasehold valuation—at nominal amount		1.00
TOTAL FIXED ASSETS.....		6,851,287.12

DEFERRED CHARGES.....	347,894.48
-----------------------	------------

\$21,266,678.34

The Notes to Financial Statements are an integral part

NOTES TO FINANCIAL STATEMENTS

Note A—Merchandise at stores (at the lower of cost or market, based upon the retail method of inventory valuation).....	\$7,012,420.00
Merchandise at warehouses—at cost.....	771,712.37
Merchandise inventories at stores and warehouses, unopened January 1950 deliveries—at cost.....	233,540.73
Merchandise in transit—at cost.....	1,226,875.72
	<u>\$9,244,548.82</u>

Cost of goods sold for the current year has been determined on the basis of inventories established as outlined above.

ES COMPANY

JANUARY 31, 1950



CURRENT LIABILITIES:

Accounts payable, including liability for merchandise in transit		\$ 2,176,113.34
Accrued expenses		1,819,541.46
Reserve for Federal income taxes	\$ 1,478,068.51	
Less: United States Treasury savings notes . . .	<u>500,000.00</u>	<u>978,068.51</u>
TOTAL CURRENT LIABILITIES		4,973,723.31
Reserve for Insurance—see contra		200,000.00

CAPITAL STOCK AND SURPLUS:

Capital Stock:

Preferred Stock — Cumulative Convertible — par value \$100.00 per share — issuable in series:

	<u>Shares</u>	
Authorized and unissued	<u>75,000</u>	
Common Stock — par value \$1.00 per share:		
Authorized	<u>1,000,000</u>	
Issued and Outstanding	<u>851,165</u>	851,165.00

Surplus:

Capital Surplus	3,640,710.32	
Earned Surplus (since January 1, 1935)	<u>11,601,079.71</u>	<u>16,092,955.03</u>
		<u>\$21,266,678.34</u>

statement and should be read in conjunction herewith.

General—The accompanying financial statements are subject to final determination of Federal and state taxes.

At January 31, 1950 the minimum annual rentals upon property leased to the Company under 243 leases expiring after January 31, 1953, amount to approximately \$1,680,000.00 plus real estate taxes, insurance, etc.

MCLELLAN STORES COMPANY

STATEMENT OF INCOME AND EARNED SURPLUS

FOR THE YEAR ENDED JANUARY 31, 1950

Sales		\$54,486,167.22
Cost of goods sold and selling and administrative expenses before depreciation and amortization		49,951,756.49
		<u>4,534,410.73</u>
Miscellaneous income, less other deductions		11,435.74
Net income for the year before depreciation, amortization and Federal income taxes		<u>4,545,846.47</u>
Depreciation of buildings and fixtures....	\$257,122.93	
Amortization of investment in leasehold improvements	318,735.56	575,858.49
Net income for the year before Federal income taxes		<u>3,969,987.98</u>
Provision for Federal income taxes.		<u>1,435,000.00</u>
Net income for the year, transferred to Earned Surplus		2,534,987.98
Earned Surplus (since January 1, 1935) as at January 31, 1949.....		<u>10,768,346.32</u>
		13,303,334.30
Dividends paid on Common Stock—\$2.00 per share		<u>1,702,254.59</u>
Earned Surplus (since January 1, 1935) as at January 31, 1950.....		<u><u>\$11,601,079.71</u></u>

STATEMENT OF CAPITAL SURPLUS

FOR THE YEAR ENDED JANUARY 31, 1950

Capital Surplus as at January 31, 1949....	\$ 3,640,320.32
Excess of proceeds from sale of 20 shares of treasury stock over par value thereof..	390.00
Capital Surplus as at January 31, 1950....	<u><u>\$ 3,640,710.32</u></u>

The Notes to Financial Statements are an integral part of these statements and should be read in conjunction herewith.

ACCOUNTANTS' REPORT

S. D. LEIDESDORF & CO.
CERTIFIED PUBLIC ACCOUNTANTS
125 PARK AVENUE
NEW YORK

To the Committee on Audits,
McLELLAN STORES COMPANY,
55 Fifth Avenue,
New York 3, N. Y.

We have examined the balance sheet of McLellan Stores Company as at January 31, 1950 and the related statements of income and surplus for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

Cash on hand at the New York office and at warehouses was counted. Cash in banks was confirmed by direct communication with the various depositories and cash at stores was confirmed by direct communication with store managers. United States Treasury savings notes were confirmed by direct communication with the custodian thereof. Our examination of the merchandise inventories included a general review of the inventory records, tests of mathematical accuracy and a substantial physical test of the merchandise at warehouses. We reviewed the method of store inventory taking as outlined in the inventory instructions issued by the management, and our representatives were present at certain stores, selected by us, for the purpose of satisfying ourselves that the inventory instructions were carried out effectively. At such stores, tests were made of quantities and retail prices which were checked to the merchandising records used as a basis for the retail method of inventory valuation. We examined evidence in support of the larger expenditures capitalized during the year and reviewed the deferred charges for mathematical accuracy and applicability to future operations. We examined the procedure of the company in establishing amounts due vendors and satisfied ourselves as to the accuracy of the accrued liabilities.

In our opinion, the accompanying balance sheet and statements of income and surplus, together with the notes to financial statements, present fairly the financial position of McLellan Stores Company at January 31, 1950, and the results of its operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

New York, N. Y.
March 7, 1950

S. D. LEIDESDORF & Co.

MCLELLAN STORES COMPANY—TEN

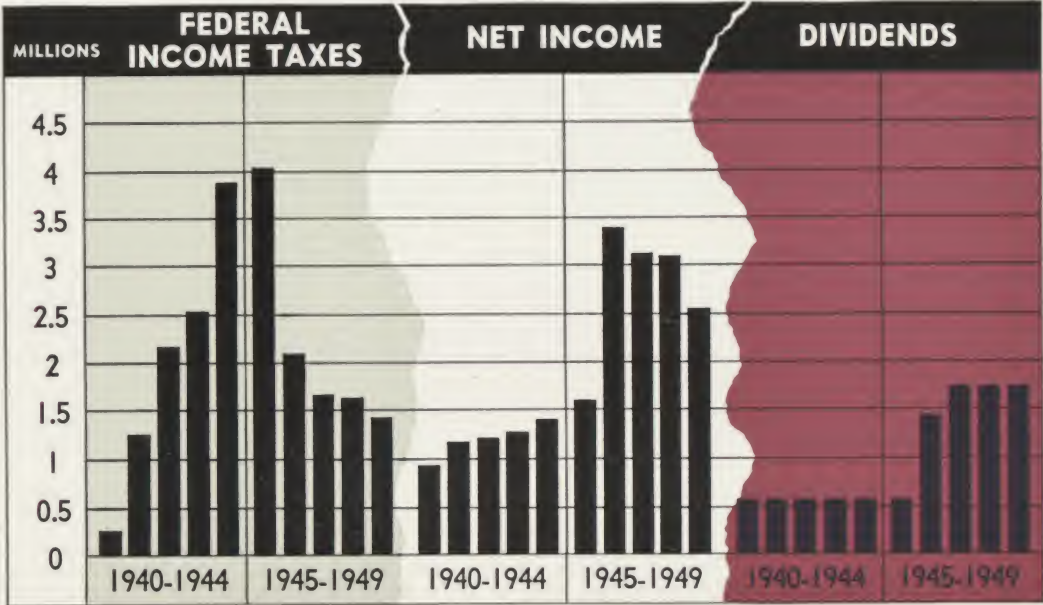
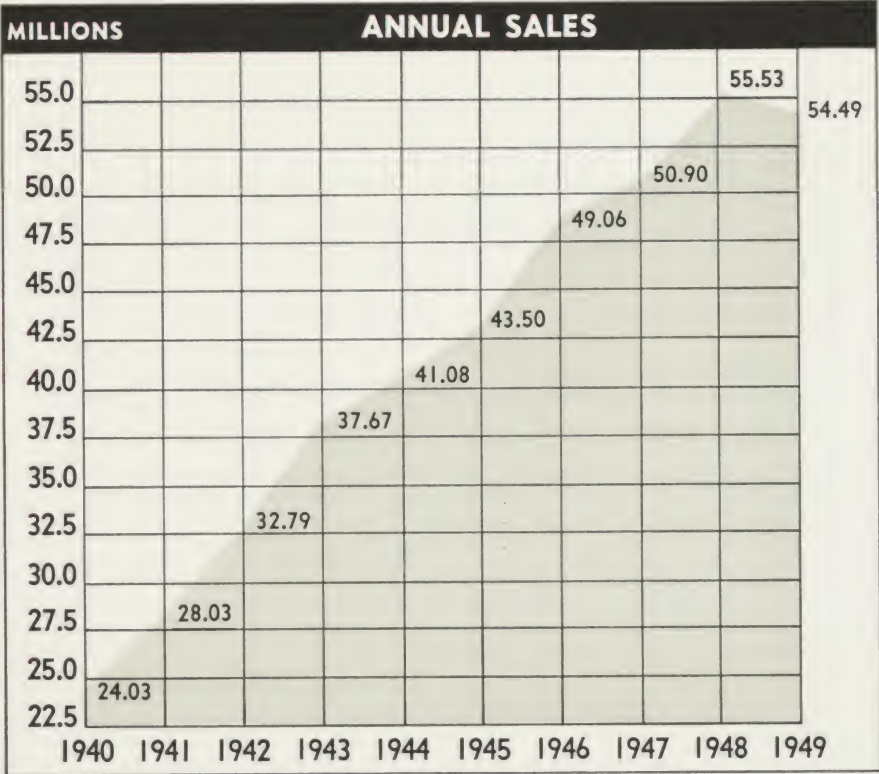
BALANCE SHEET INFORMATION

	Current		Net Working Capital	Per Share of Common Stock	
	Assets	Liabilities		Working Capital	Net Worth
1949	\$13,867,496	\$4,973,723	\$8,893,773	\$10.45	\$18.91
1948	14,935,550	5,249,770	9,685,780	11.38	17.92
1947	15,598,852	6,057,215	9,541,637	11.21	16.14
1946	15,574,043	5,760,571	9,813,472	11.53	15.31
1945	14,511,340	6,586,559	7,924,781	10.80	11.07
1944	11,980,033	5,723,939	6,256,094	8.53	9.79
1943	11,135,781	5,521,405	5,614,376	7.66	8.69
1942	9,025,383	3,964,610	5,060,773	6.90	7.75
1941	7,266,828	2,741,801	4,525,027	6.17	6.92
1940	5,738,276	1,558,841	4,179,435	5.70	6.09

SALES AND PROFITS

	Number of Stores	Net Sales	Net Income After Federal Income Taxes	Per Share of Common Stock		
				Income Taxes	Net Income	Dividends
1949	230	\$54,486,167	\$2,534,988	\$1.69	\$2.98	\$2.00
1948	227	55,526,785	3,063,784	2.01	3.60	2.00
1947	224	50,895,734	3,084,293	2.06	3.62	2.00
1946	224	49,055,997	3,408,297	2.43	4.00	1.70
1945	225	43,494,987	1,631,471	4.78	2.02	0.75
1944	226	41,075,366	1,420,446	4.68	1.70	0.60
1943	230	37,665,222	1,309,024	3.64	1.54	0.60
1942	231	32,789,527	1,230,011	2.97	1.43	0.60
1941	233	28,031,906	1,219,512	1.69	1.42	0.60
1940	232	24,030,780	982,642	0.34	1.09	0.60

YEAR COMPARISON



McLELLAN'S SE THROUGH TH

Alabama—6

Bessemer
Florence
Gadsden
Huntsville
Sheffield
Tuscaloosa

Arizona—1

Tucson

Arkansas—1

Little Rock

Connecticut—4

Bristol
Manchester
South Norwalk
West Hartford

Georgia—15

Americus
Athens
Augusta
Cordele
Dalton
Dublin
Fitzgerald
Gainesville
Griffin
LaGrange
Marietta
Moultrie
Rome
Statesboro
Thomasville

Illinois—10

Bloomington
Chicago
Forest Park
Freeport
Galesburg
Kankakee
LaSalle
Melrose Park
Ottawa
Pekin

Indiana—8

Elkhart
Huntington
Kokomo
Lafayette
LaPorte
Mishawaka
Portland
Richmond

Iowa—10

Albia
Ames
Cedar Rapids
Centerville
Clinton
Creston
Fort Dodge
Shenandoah
Washington
Waterloo

Kansas—11

Arkansas City
Dodge City
Eldorado
Emporia
Enreka
Haworth
Kansas City
Salina
Topeka
Wichita
Winfield

Maine—7

Augusta
Belfast
Portland
Sanford
Skowhegan
Waterville
Westbrook

Massachusetts—22

Amherst
Boston
Canton
Charlestown
Dedham

Massachusetts— Continued

Fall River
Gt. Barrington
Greenfield
Hyannis
Hyde Park
Lynn
Milford
Norfolk Downs
Norwood
Plymouth
Southbridge
Springfield
Wareham
Wellesley
Westfield
Whitinsville
Winchendon

Michigan—16

Adrian
Albion
Alpena
Benton Harbor
Grand Haven
Greenville
Holland
Ionia
Ironwood
Jackson
Lapeer
Niles
Petoskey
Sturgis
Traverse City
Ypsilanti

Minnesota—3

Hibbing
St. Paul
Virginia

Mississippi—4

Columbus
Greenville
Greenwood
Laurel

ES 29 STATES

E 230 STORES



